

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: AB 1636
AUTHOR: Monning, William
RELATED BILLS: AB 1083 (Monning)

BILL SUMMARY: Health and wellness programs.

This bill would require the Department of Managed Health Care (DMHC), in collaboration with the California Department of Insurance (CDI), the California Health Benefits Exchange (Exchange), and the California Department of Public Health (CDPH) to convene a special committee to review and evaluate health and wellness incentive and rewards programs. The committee would be required to meet publicly and engage experts and stakeholders in its deliberations with the first meeting commencing March 30, 2013.

FISCAL SUMMARY

According to DMHC, the increased workload resulting from this bill is estimated to cost at least \$99,000 in the first year (2012-13) that the committee is convened due to reviewing health plans' Evidence of Coverage exhibits and subscriber contracts to obtain historical and current data and information on health and wellness incentive and rewards programs. Ongoing workload will result in annual costs of \$32,000 for ongoing evaluation of the effectiveness of the programs, as specified by the bill. In addition, if the DMHC conducts routine surveys of health plans to evaluate performance related to wellness programs, the average cost per survey would be approximately \$75,000 to \$100,000. All costs would be factored into the annual assessment charged to health care service plans for deposit into DMHC's Managed Care Fund.

It is anticipated that CDI, the Exchange, and CDPH will also have costs associated with this bill. Due to the vagueness of the parameters under which the committee may operate, this is difficult to estimate; however we anticipate these costs to be lower than those of DMHC. These costs would be paid from various special funds except for the CDPH, which would be General Fund.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- This bill is unnecessary because it is already in the best interest of health plans to design effective health and wellness incentive programs because they decrease health care costs.
- As it is currently drafted, this bill lacks definition and does not specify key components of the proposed special committee, including the number of members and details regarding appointments of members.

According to the author, this bill is necessary to advance a public policy conversation in California about the evidence basis for wellness incentive programs tied to health insurance and to determine if the wellness incentive provisions in federal health care reform should be implemented in California.

A related bill, AB 1083 (Monning), currently pending on the Senate Floor, establishes reforms in the small group health insurance market to implement the Affordable Care Act. This bill does not explicitly allow for the use of wellness incentives.

Analyst/Principal (0562) A.Bazos	Date	Program Budget Manager Ken DaRosa	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

AUTHOR

AMENDMENT DATE

BILL NUMBER

Monning, William

Original

AB 1636

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP					Fund		
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
0845/Insurance	SO	No		----	See Fiscal Summary	----			0217
4150/MngedHltCare	SO	No	A	--	C	99	C	32	0933
4265/PublicHealth	SO	No		----	See Fiscal Summary	----			0001
4800/Exchange	SO	No		----	See Fiscal Summary	----			3175
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0217	Insurance Fund								
0933	Managed Care Fund								
3175	Health Trust Fund, California								